

MEMORANDUM FOR THE FILES

7 February 1949

SUBJECT: Proposed CIA Legislation

1. When clearance was obtained from the Comptroller General on proposed CIA legislation in the spring of 1948, paragraph 7(b), which gives general exemptions from the restrictions on expenditure of government funds and provides for unvouchedered funds, was limited to such amounts as the National Security Council might approve. The Comptroller General approved our bill with this wording. Subsequently, in conference with the Bureau of the Budget the control was transferred from the NSC to the Director of the Budget. This was informally cleared with Mr. Fisher, General Counsel to the Comptroller General, and submitted to the House and Senate Committees accordingly.

2. The Senate Committee specifically stated its intention to exempt us from any control by the Bureau of the Budget in determining the amount of our expenditures which should be unvouchedered. The committee therefore reworded 7(b) to provide in effect that any of the funds made available to the Agency could be expended without regard to the provisions of law and regulations relating to the expenditure of government funds and for confidential expenditures for which the certificate of the Director would be a sufficient voucher. The Senate passed the bill with this wording. Since the House was unable to pass the bill, it has been necessary to start again in the Bureau of the Budget with some changes in the wording of the proposed legislation.

3. The Bureau proceeded to obtain clearance from the agencies which were affected by these changes and Mr. Barber of the Bureau informed Mr. Pforzheimer that it would be necessary to inform the Comptroller General in view of the rewording of Section 7(b). Rather than submit the new bill for formal clearance by the Comptroller General, I discussed the situation with Mr. Fisher, his General Counsel. Mr. Fisher stated that in accordance with their normal approach to such matters, they would prefer to have some control outside the Agency over the amount which would be beyond the audit powers of GAO. I stated that we were in agreement with the principle that there should be some control, either in the NSC or the Bureau of the Budget, but that in view of the express intent of the Senate Committee in 1948, the Bureau of the Budget did not wish to go back to the wording of the legislation submitted last spring.

4. Mr. Fisher stated that he could not speak officially for the Comptroller General, but felt that in view of our past relations with his office, and our special needs, the Comptroller General would not be compelled to object strenuously to the wording of 7(b) as redrafted by the Senate Committee. He was, therefore, not approving submission of this wording for himself or the Comptroller General, but was taking the position that they did not feel it necessary to object to its submission. I stated that we would not quote him as approving, and would understand fully that if Mr. Warren were called to testify on this situation, he might feel it necessary to state his opposition to such blanket authorization of unvouchedered funds. I asked to be permitted to request the Bureau to forward the bill to the committee on this basis

and Mr. Fisher stated that that would be satisfactory. Mr. Pforzheimer talked to Mr. Barber who stated that if the Comptroller General were not going to intervene actively after the notice we have given him, the Bureau felt that it could probably clear the bill and present it to the Congress.



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Lawrence R. Houston